



OFFICE OF AUDITOR OF ACCOUNTS

REQUEST FOR PROPOSALS

FOR

PROFESSIONAL AUDIT MANAGEMENT SERVICES

January 23, 2009

**STATE OF DELAWARE
STATEWIDE OFFICE OF MANAGEMENT AND BUDGET CIRCULAR
A-133 AUDIT MANAGEMENT SERVICES**

RFP09-CPA-03

by

State of Delaware
Office of Auditor of Accounts
Townsend Building, Suite 1
401 Federal Street
Dover, Delaware 19901

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OFFICE OF AUDITOR OF ACCOUNTS
REQUEST FOR PROPOSALS

I. INTRODUCTION

A. General Information

In accordance with 29 Del. C. Chapter 69, Subchapter VI, *Professional Services*, the Office of Auditor of Accounts (AOA) is distributing this Request for Proposal (RFP) to, and requesting proposals from qualified Big Four and second tier certified public accounting firms (CPA) to centrally manage the State of Delaware's Statewide Single Audit to ensure compliance with the types of compliance requirements described in the U.S Office of Management and Budget (OMB) Circular A-133 Report for the fiscal year ending June 30, 2009. These services must ensure the Statewide Single Audit is conducted in accordance with auditing standards generally accepted in the United States of America, the standards for financial audits set forth in the U.S. Government Accountability Office's (GAO) *Government Auditing Standards*, the provisions of The Single Audit Act Amendments of 1996, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

There is no expressed or implied obligation for AOA to reimburse responding firms for any costs or expenses incurred in preparing proposals in response to this request. AOA will not pay any costs or expenses incurred by any firm associated with any aspect of responding to this RFP, including proposal preparation, printing, or delivery, or the negotiation process. Additionally, no indirect reimbursements (e.g., in the form of credits or reductions to any agreed upon compensation) shall be made to any responding firm by AOA for any such costs or expenses.

A *mandatory* pre-proposal conference for all the firms interested in submitting a proposal will be held at 11:00 a.m. on February 3, 2009 at the Office of Auditor of Accounts' 3rd Floor Conference Room, in the Townsend Building, 401 Federal Street, Dover, DE 19901 to answer questions about the audits. **Please be aware there is construction on the south end of the third floor. The 3rd floor stairwell door will be open if needed. A sign will be posted on 1st floor if elevator cannot be used.** After this *mandatory* pre-proposal conference, any inquiries concerning the RFP should be addressed to one of the following AOA personnel.

Stacey A. Wynne, CPA, CFE, CICA, Chief Administrative Auditor
302-857-3919 (Stacey.Wynne@state.de.us)

Candace M. Casto, CGFM, Administrative Auditor
302-857-3910 (Candace.Casto@state.de.us)

To be considered, three copies of the *technical* proposal must be sent to Stacey A. Wynne, CPA, CFE, CICA, Chief Administrative Auditor, and three copies of the *cost* proposal must be sent to Candace M. Casto, CGFM, Administrative Auditor, at Office of Auditor of Accounts, Townsend Building, Suite 1, 401 Federal Street, Dover, DE 19901 by 3 p.m. (EST) on February 11, 2009. **ALL PROPOSALS MUST BE DELIVERED TO AOA'S THIRD FLOOR OFFICE IN THE TOWNSEND BUILDING, SUITE 1, 401 FEDERAL STREET, DOVER, DE 19901. IF USING FEDERAL EXPRESS OR ANOTHER COMPANY, PLEASE DO NOT DELIVER TO THE DIVISION OF CORPORATIONS IN THE TOWNSEND BUILDING.** AOA reserves the right, exercised in its sole discretion, to reject any or all proposals submitted.

Proposals submitted may be evaluated by the following: Administrative Auditor of the Office/Contract Administration; Chief Administrative Auditor; Deputy Auditor; Administrative Auditor, Field Audit Manager, and/or Auditor III if he/she is in charge or involved with the audit/engagement. A representative from the auditee's office and/or oversight agency may also be on the Evaluation Committee.

During the evaluation process, AOA's staff reserves the right, where it may serve the State of Delaware's best interests, to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. At the discretion of AOA staff or the Evaluation Committee, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

AOA reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this RFP, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between AOA and the firm selected.

It is anticipated the selection of a firm will be completed by February 27, 2009. Following the notification of the selected firm it is expected a contract will be executed between both parties by March 13, 2009.

B. Term of Engagement

This is only a one-year contract subject to the satisfactory negotiation of terms (including a cost acceptable to both AOA and the selected firm) and the annual availability of an appropriation by the Legislature.

C. Subcontracting

The work will not be subcontracted.

II. NATURE OF SERVICES REQUIRED

A. General/Scope of Work to be Performed

AOA is soliciting the services of qualified Big Four and second tier certified public accounting firms (CPA) to centrally manage the State of Delaware's Statewide Single Audit to ensure compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Report for the fiscal year ending June 30, 2009 (see Appendix C for a detailed list). These services are to be performed in accordance with the provisions contained in this RFP.

B. Auditing Standards to be Followed

To meet the requirements of this RFP, the services shall be performed in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and provisions of The Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Irregularities and illegal acts. All situations or transactions that come to the auditor's attention that could be indicative of fraud, abuse, illegal acts, material errors, defalcations, or other irregularities shall be promptly reported to AOA and AOA will determine the appropriate course of action.

C. Special Considerations

1. The United States Department of Health and Human Services is the cognizant agency in accordance with the provisions of The Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

D. Audit Documentation Retention and Access to Audit Documentation

All audit documentation, including QCR checklists, must be retained, at the auditor's expense, for a minimum of five years, unless the firm is notified in writing by AOA of the need to extend the retention period. The auditor will be required to make audit documentation available, upon request, to the following parties or their designees:

- Office of Auditor of Accounts
- United States Department of Health and Human Services
- U.S. Government Accountability Office (GAO)
- Parties designated by the federal or state governments or by AOA as part of an audit quality review process
- AOA Peer Review Team

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review audit documentation relating to matters of continuing accounting significance.

III. DESCRIPTION OF THE GOVERNMENT

A. Contact/Location of Office

The auditor's principal contact with the AOA will be Stacey A. Wynne, CPA, CFE, CICA, Chief Administrative Auditor, or a designated representative, who will coordinate the assistance to be provided to the auditor. The contact's office location is Office of Auditor of Accounts, Townsend Building, Suite 1, 401 Federal Street, Dover, DE 19901.

B. Background Information

The State of Delaware's fiscal year begins on July 1 and ends on June 30.

- **AOA's website for Fiscal Year 2007 Statewide Single Audit Report**
 - http://auditor.delaware.gov/Audits/financial_compliance.shtml

C. Basis of Accounting

The State's SEFA is presented on a cash basis. A copy of the prior year's audit report may be found on AOA's website at http://auditor.delaware.gov/Audits/financial_compliance.shtml.

D. Availability of Prior Audit Reports and Audit Documentation

The prior year's report can be found on the Auditor of Account's website at <http://auditor.delaware.gov/Audits/financialcompliance.shtml>. Interested proposers who wish to review prior audit documentation should contact Candace M. Casto, CGFM, Administrative Auditor at candace.casto@state.de.us and 302-857-3910.

IV. TIME REQUIREMENTS

A. Proposal Calendar

The following is a list of key dates up to and including the date proposals are due to be submitted:

- Request for proposal issued January 23, 2009
- Pre-proposal conference February 3, 2009
- Due date for proposals February 18, 2009

B. Notification and Contract Dates

- Selected firm notified March 4, 2009
- Contract date March 13, 2009

C. Date Services May Commence

The services requested in this RFP may begin as soon as a State purchase order is established.

D. Schedule for the Fiscal Year 2009 Services

The CONTRACTOR shall work with the AOA personnel to establish a timeline for services to be completed.

V. PROPOSAL REQUIREMENTS

A. General Requirements

1. *Mandatory* Pre-proposal Conference

Firms interested in submitting a proposal must attend a *mandatory* pre-proposal conference at 11:00 a.m. on February 3, 2009 at the Office of Auditor of Accounts' 3rd Floor Conference Room, in the Townsend Building, 401 Federal Street, Dover, DE 19901. Both verbal and written questions will be accepted during the conference.

2. Inquiries

Inquiries concerning the RFP and the subject of the RFP must be made to:

Stacey A. Wynne, CPA, CFE, CICA, Chief Administrative Auditor
302-857-3919 (Stacey.Wynne@state.de.us)

Candace M. Casto, CGFM, Administrative Auditor
302-857-3910 (Candace.Casto@state.de.us)

Direct contact with State of Delaware or AOA employees other than the above-referenced contacts regarding this RFP is expressly prohibited without prior consent. Firms contacting State of Delaware or AOA employees risk elimination of their proposal from further consideration. Exceptions exist only for organizations currently doing business in the State of Delaware who require contact in the normal course of business.

3. Submission of Proposals

To be considered, all proposals must be submitted by the due date listed on page 7 to AOA's third floor office, Townsend Building, Suite 1, 401 Federal Street, Dover, DE 19901, in writing and respond to the items outlined in this RFP using the following required format. AOA reserves the right to reject any non-responsive or non-conforming proposals, as well as proposals received after the specified date and time. By submitting a proposal, and in consideration of AOA's efforts and representations with respect to the review and evaluation of its proposal, the firm expressly agrees to be bound by the terms and conditions of this RFP in the event it is selected for the engagement. The following material is required to be received on the due date for a firm to be considered.

B. Technical Proposal

The purpose of the Technical Proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake the services in conformity with the requirements of this RFP. As such, the substance of proposals will carry more weight than their form or manner of presentation. The Technical Proposal should list the particular staff to be assigned to this engagement, and specify an audit approach that will meet the RFP requirements.

THERE SHOULD BE NO DOLLAR UNITS OR TOTAL COSTS INCLUDED IN THE TECHNICAL PROPOSAL DOCUMENT.

The Technical Proposal should address all the points outlined in the RFP (excluding any cost information which should only be included in the sealed dollar cost bid). The Proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the RFP. While additional data may be presented, the following subjects, items Nos. 2 through 10, must be included in the required format. Those subjects represent the criteria against which the proposal will be evaluated.

1. Required Format - A master copy (so marked) of a sealed Technical Proposal and two copies (total of three copies) to include the following:

a. Title Page

Title page showing RFP subject; RFP reference number; the firm's name; the contact's name, address, telephone number, and e-mail address; and the date of the proposal. The transmittal letter must also clearly state and justify any exceptions to the requirements of the RFP that the applicant may have taken in presenting the proposal.

b. Table of Contents

Table of contents should clearly identify each section by page number.

c. Transmittal Letter

A signed letter of transmittal briefly stating the proposer's understanding of the work to be done, the commitment to perform

the work within the time period, a statement why the firm believes it is best qualified to perform the engagement, and a statement that the proposal is a firm and irrevocable offer for one month after the due date of proposal.

d. Detailed Proposal

The proposal must conform to the proposal requirements of the RFP. AOA specifically reserves the right to waive any informalities or irregularities in the proposal format. The detailed proposal should follow the order set forth in Section VI B and C of this RFP.

2. Mandatory Criteria (all criteria must be met or the proposal cannot be considered)

a. Independence

The firm should provide an affirmative statement that it is independent of the AOA as defined by the U.S. Government Accountability Office's *Government Auditing Standards*.

The firm should also list and describe the firm's professional relationships involving the State of Delaware entity or any of its component units for the past five years, together with a statement explaining why each such relationship does not constitute a conflict of interest relative to performing the proposed audit.

In addition, the firm shall give the AOA written notice of any professional relationships entered into during the period of this agreement.

b. License to Practice in Delaware

An affirmative statement should be included that the firm and the engagement partner and manager/supervisor in charge are currently licensed or in the process of obtaining a license as a certified public accountant to practice in the State of Delaware. The applicant must provide evidence of a valid Delaware CPA permit for all Delaware CPAs on the audit team and a business license for the firm.

3. Firm Qualifications, Experience, and Requirements

The proposer should state the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed, and the number and nature of the professional staff to be employed in this engagement on a full-time basis, and the number and nature of the staff to be employed on a part-time basis.

If the proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium should be separately identified and the firm that is to serve as the principal auditor should be noted, if applicable.

The firm is also required to submit a copy of the report on its most recent external quality control review, with a statement whether that quality control review included a review of specific government engagements. The firm must also include a copy of the letter of comments, if applicable.

The firm shall certify that it has not been suspended or debarred from performing government audits or from other government activity. In addition, the firm shall certify that it has not been the subject of any disciplinary action or inquiry in any jurisdiction during the past three years.

The firm must certify that it shall maintain such insurance as will protect against claims under Worker's Compensation Act and from any other claims for damages for personal injury, including death, which may arise from operations under this Contract. The Contractor is an independent contractor and is not an employee of the State.

The Contractor shall, at its expense, carry insurance of minimum limits as follows:

- a. Comprehensive General Liability.....\$1 million per claim/
\$3 million aggregate
- b. Professional Liability.....\$1 million per claim/
\$3 million aggregate

The Contractor shall provide evidence of such insurance.

4. Partner, Supervisory and Staff Qualifications and Experience

Identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists, who would be assigned to the engagement. Indicate whether each person is registered or licensed to practice as a certified public accountant in the State of Delaware. Provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three years and membership in professional organizations relevant to the performance of this audit and whether or not that person, within the past three years, has been the subject of any disciplinary action or inquiry in any jurisdiction.

Provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. Indicate how the quality of staff over the term of the agreement will be assured.

The proposer should identify the extent to which staff to be assigned to the audit reflect the State of Delaware's commitment to Affirmative Action.

Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of AOA. However, in either case, AOA retains the right to approve or reject replacements and the replacements must have substantially the same or better qualifications or experience.

Consultants and firm specialists mentioned in response to this RFP can only be changed with the express prior written permission of AOA, which retains the right to approve or reject replacements.

Other audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience.

5. Prior Engagements With AOA

List separately all engagements within the last three years, ranked on the basis of total staff hours, for AOA by type of engagement (i.e., audit, management advisory services, other). Indicate the scope of work, date,

engagement partners, total hours, the location of the firm's office from which the engagement was performed, and the name and telephone number of the principal client contact.

6. Similar Engagements With Other Government Entities

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum of 5) performed in the last three years that are similar to the engagement described in this RFP. These engagements should be ranked on the basis of total staff hours. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

7. Specific Approach to Services Requested

The proposal should set forth a work plan to perform the services required in Section II of this RFP.

Proposers will be required to provide the following information on their audit approach:

- a. Proposed segmentation of the engagement.
- b. Level of staff and number of hours to be assigned to each proposed segment of the engagement.

NO DOLLARS SHOULD BE INCLUDED IN THE TECHNICAL PROPOSAL

- c. Approach to be taken to manage the engagement process and ensure time and staff commitments required to meet AOA deadlines.

8. Identification of Anticipated Potential Audit Problems

The proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems, and any special assistance that will be requested from the AOA.

C. Cost Proposal

The proposer shall submit an original (so marked) and two copies (total of three copies) of a dollar cost bid in a separate sealed envelope marked as follows:

SEALED DOLLAR COST BID
PROPOSAL
FOR
STATE OF DELAWARE
STATEWIDE OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133
AUDIT MANAGEMENT SERVICES
FEBRUARY 18, 2009

The sealed envelope shall contain the name and address of the proposing firm and the sealed dollar bid shall include the following:

1. Total All-Inclusive Maximum Cost

The sealed dollar cost bid should contain all cost information relative to performing the audit engagement as described in this RFP. The total all-inclusive maximum cost to be bid is to contain all direct and indirect costs including all out-of-pocket expenses **for the fiscal year** (see Appendix A) **with the exception of the audit cost for the Type A and B programs currently not under contract. Please include the hourly rate to audit these programs, and once the risk assessment is completed, an addendum to the contract will be done based on the quoted hourly rate and budget for the program.**

AOA will not be responsible for expenses incurred in preparing and submitting the sealed technical proposal or the sealed dollar cost bid. Such costs should not be included in the proposal.

The first page of the sealed dollar cost bid should include the following information:

- a. Name of Firm.
- b. Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract with AOA.
- c. A Total All-Inclusive Maximum Cost for the fiscal year.

2. Rates by Partner, Specialist, Supervisory and Staff Level Times Hours Anticipated for Each

The second page of the sealed dollar cost bid should include a schedule of professional fees and expenses, presented in the format provided in the attachment (Appendix A), that supports the total all-inclusive maximum cost.

3. Out-of-Pocket Expenses Included in the Total All-inclusive Maximum Cost and Reimbursement Rates

Out-of-pocket expenses for firm personnel (e.g., travel, lodging, and subsistence) will be reimbursed at the prevailing rates used by the State of Delaware for its employees. All estimated out-of-pocket expenses to be reimbursed should be presented on the second page of the sealed dollar cost bid in the format provided in the attachment (Appendix A). All expense reimbursements will be charged against the total all-inclusive maximum cost submitted by the firm.

In addition, a statement must be included in the sealed dollar cost bid stating the firm will accept reimbursement for travel, lodging, and subsistence at the prevailing rate used by the State of Delaware for its employees.

4. Rates for Additional Professional Services

If it should become necessary for AOA to request the auditor to render any additional services to either supplement the services requested in this RFP or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the Agreement between AOA and the firm. Any such additional work agreed to between AOA and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the sealed dollar cost bid.

5. Manner of Payment

Progress payments up to 90 percent will be made on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the firm's dollar cost bid proposal. Invoices shall cover a period of not less than a calendar month and must include the following: (1) name of auditee/engagement; (2) amount and if

it's a progress or final invoice; and (3) a breakdown of staff and hours for each. Ten percent of the contract amount will be retained until the Exit Conference has been held and the final reports have been reviewed and accepted by AOA.

CONTRACTOR agrees to bill AOA only for actual work performed and out-of-pocket expenses incurred during its performance of the engagement. CONTRACTOR must submit all invoices in writing or electronic format to AOA for approval. Invoices must include the name of the auditor who performed the work, the nature of work performed, the date(s) work performed, the number of hours worked and the corresponding hourly rate, in addition to the amounts, descriptions and dates of all out-of-pocket expenses for which reimbursement is requested. If approved, AOA will forward the invoice to the auditee for payment or pay the invoices itself, depending on the type of audit.

D. Submission of Proposals

All completed sealed proposals must be delivered in person, by mail, or by carrier service (e.g., FedEx, UPS, etc.) to the following AOA personnel at AOA's third floor office, Townsend Building, Suite 1, 401 Federal Street, Dover, DE 19901. Please do not have the proposals delivered to the Division of Corporations.

Technical Proposal

Stacey A. Wynne, CPA, CFE, CICA
Chief Administrative Auditor
302-857-3919
(Stacey.Wynne@state.de.us)

Cost Proposal

Candace M. Casto, CGFM
Administrative Auditor, Administration
302-857-3910 (Candace.Casto@state.de.us)

Any proposal submitted by mail shall be sent by either certified or registered mail to AOA's third floor office, Townsend Building, Suite 1, 401 Federal Street, Dover, DE 19901. Any proposal received after the above date shall not be considered and shall be returned unopened. The proposing firm bears the risk of delays in delivery.

E. Modifications to Proposals

Any changes, amendments, or modifications to the proposal must be made in writing, submitted in the same manner as the original response and conspicuously labeled as a change, amendment, or modification to a previously submitted proposal. Changes, amendments, or modifications to proposals shall not be accepted or considered after the time and date specified as the deadline for submission of proposals.

VI. EVALUATION PROCEDURES

A. Evaluation Committee

Proposals submitted will be evaluated by an Evaluation Committee selected by AOA.

The Evaluation Committee may negotiate with one or more of the qualified firms during the same period and may, at its sole discretion, terminate negotiations with any and all firms at any time.

B. Review of Proposals

Proposals that do not meet or comply with the instructions of this RFP may be considered non-conforming and deemed non-responsive and subject to disqualification at the sole discretion of the Evaluation Committee.

The Evaluation Committee will use a point formula during the review process to score proposals. All assignments of points shall be at the sole discretion of the Evaluation Committee. Each member of the Evaluation Committee will first score each technical proposal by each of the criteria described in Section VII C below. The full Evaluation Committee will then convene to review and discuss these evaluations and to combine the individual scores to arrive at an average technical score for each firm. At this point, firms with an unacceptably low technical score will be eliminated from further consideration.

After the composite technical score for each firm has been established, the sealed dollar cost bid will be opened and additional points will be added to the technical score based on the cost bid. The maximum score for cost will be assigned to the firm offering the lowest total all-inclusive maximum cost. Appropriate fractional scores will be assigned to other proposers.

AOA reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected and regardless of any statement of contention by a proposer to the contrary.

C. Evaluation Criteria

Proposals will be evaluated using three sets of criteria. Only firms meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and cost. The following represent the principal selection criteria which will be considered during the evaluation process.

1. Mandatory Elements

All firms are required to meet these elements. No points assigned.

- a. The audit firm is independent and licensed to practice in Delaware. Please provide a copy of your firm's State of Delaware Occupational License (issued by the Division of Revenue); a copy of the firm's State of Delaware Board of Accountancy permit; and copies of the State of Delaware Board of Accountancy Permit of the engagement partner and the manager/supervisor in charge.
- b. The firm has no conflict of interest with regard to any other work performed by the firm for the State of Delaware.
- c. The firm meets the continuing professional education standards of the *Government Auditing Standards*.
- d. The firm adheres to the instructions in this RFP on preparing and submitting the proposal.
- e. The firm has an internal quality control system in place and has had an external quality control review performed within the last three years or is currently under contract to have one performed. Please submit a copy of the firm's last external quality control review report (including the letter of comments, if applicable). The firm has a record of quality audit work.

- f. The firm has the following minimum limits in insurance:
 - (1) Comprehensive General Liability.....\$1 million per claim/
\$3 million aggregate
 - (2) Professional Liability.....\$1 million per claim/
\$3 million aggregate
- g. The firm has not been suspended or debarred from performing government audits or from other governmental activity.
- h. The firm has not been the subject of any disciplinary action or inquiry during the past three years.

2. Technical Qualifications: (Maximum Points - [90])

- a. Expertise and Experience
 - (1) The firm's past experience and performance on comparable government engagements.
 - (2) The quality of the firm's professional personnel to be assigned to the engagement and the quality of the firm's management support personnel to be available for technical consultation.
- b. Audit Approach
 - (1) Adequacy of proposed staffing plan for various segments of the engagement
 - (2) Compliance with *Generally Accepted Auditing Standards*
 - (3) Compliance with *Government Auditing Standards*
 - (4) Compliance with *OMB Circular A-133*

3. Cost

COST WILL NOT BE THE PRIMARY FACTOR IN THE SELECTION OF AN AUDIT FIRM

Cost scores will be based on the number of proposals accepted and reviewed. The maximum score for cost will be assigned to the firm

offering the lowest total all-inclusive maximum cost. Appropriate scores will be assigned to other proposers (e.g., if there are 10 proposals accepted and reviewed, then the firm with the lowest all-inclusive cost will be assigned 10 points, and the next lowest would be assigned 9 points, etc.).

D. Reservation of Rights

The Evaluation Committee reserves the right to:

1. Select for contract or for negotiations a proposal other than that with the lowest costs.
2. Reject any and all proposals or portions of the proposals received in response to this RFP or to make no award or issue a new RFP.
3. Waive or modify any information, irregularity, or inconsistency in proposals received.
4. Request modification to proposal from any or all contractors during the review and negotiation.
5. Negotiate any aspect of the proposal with any firm and negotiate with more than one firm at the same time.

The Evaluation Committee reserves the right to reject any proposal from a firm who:

1. Has been convicted for commission of a criminal offense as an incident to obtaining or attempting to obtain a public or private contract or subcontract, or in the performance of the contract or subcontract;
2. Has been convicted under State or Federal statutes of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or other offenses indicating lack of business integrity or business honesty that currently and seriously affects responsibility as a State contractor;
3. Has been convicted or has had a civil judgment entered for a violation under State or Federal antitrust statutes;

4. Has violated contract provisions such as:
 - a. Knowing failure without good cause to perform in accordance with the specifications or within the time limit provided in the contract;
 - or
 - b. Failure to perform or unsatisfactory performance in accordance with terms of one or more contracts;
5. Has violated ethical standards set out in law or regulation;
6. Any other cause listed in regulations of the State of Delaware determined to be serious and compelling as to affect responsibility as a State contractor, including debarment by another governmental entity for cause listed in the regulations.

E. Oral Presentations

During the evaluation process, the Evaluation Committee may, at its discretion, request any one or all firms to make oral presentations. Such presentations will provide firms with an opportunity to answer any questions the Evaluation Committee may have on a firm's proposal. Not all firms may be asked to make such oral presentations. All costs associated with participation in oral presentations conducted for the State of Delaware are the firm's responsibility.

F. Confidentiality of Documents

All documents submitted as part of the firm's proposal will be deemed confidential during the evaluation process. Proposals will not be available for review by anyone other than AOA and the Evaluation Committee or its designated agents. There shall be no disclosure of any firm's information to a competing firm prior to award of the contract.

The State of Delaware is a public agency as defined by state law, and as such, it is subject to the Delaware Freedom of Information Act, 29 Del. C. Ch. 100. Under the law, all the State of Delaware's records are public records (unless otherwise declared by law to be confidential) and are subject to inspection and copying by any person. Vendor(s) are advised that once a proposal is received by the State of Delaware and a decision on contract award is made, its contents will become public record and nothing contained in the proposal will be deemed to be confidential except proprietary information.

Firms shall not include any information in their proposal that is proprietary in nature or that they would not want to be released to the public. Proposals must contain sufficient information to be evaluated and a contract written without reference to any proprietary information. If a firm feels that it cannot submit its proposal without including proprietary information, it must adhere to the following procedure or their proposal may be deemed unresponsive and will not be recommended for selection. Firm(s) must submit such information in a separate, sealed envelope labeled "Proprietary Information" with the RFP number. The envelope must contain a letter from the firm's legal counsel describing the documents in the envelope, representing in good faith that the information in each document is not "public record" as defined by 29 Del. C. § 10002(d), and briefly stating the reasons that each document meets the said definitions.

G. Final Selection

The AOA will select a firm based upon the recommendation of the Evaluation Committee. Neither AOA nor the Evaluation Committee nor the State of Delaware has any obligation to provide any firm with information or documentation related to the selection process and its decision with respect to this RFP beyond that which is described and required in this RFP or required by applicable law.

It is anticipated that a firm will be selected by March 4, 2009. Following notification of the firm selected, it is expected a contract will be executed between both parties by March 13, 2009.

H. Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions contained in this RFP unless clearly and specifically noted in the proposal submitted and confirmed in the contract between AOA and the firm selected.

AOA reserves the right without prejudice to reject any or all proposals.

VII. CONTRACT CONDITIONS

The firm awarded the contract will be required to enter into a written agreement with AOA. AOA reserves the right to incorporate standard State of Delaware contractual provisions into any contract negotiated as a result of a proposal submitted in response to an RFP. Any proposed modifications to the terms and conditions of the standard contract are subject to review and approval by AOA. The firm shall be referred to as "CONTRACTOR" in the agreement.

The selected firm will be expected to enter negotiations with AOA, which will result in a formal agreement between the parties. Procurement will be in accordance with the subsequent contracted agreement. This RFP and the selected firm's response to this RFP will be incorporated as part of any formal agreement.

If the firm to whom the contract is awarded fails to enter in the agreement as herein provided, the award will be annulled and an award may be made to another firm. Such firm shall fulfill every stipulation embraced therein as if they were the party to whom the first award was made.

The selected firm under this RFP shall be subject to contractual provisions, in a form substantially similar to the following, as well as those agreed to by the parties and not specifically described herein.

A. Term

The term of the contract between the successful firm and AOA shall be determined by AOA with consideration of the agency's request. The agreement may be terminated by AOA at any time by giving written notice to the CONTRACTOR of such termination. Upon such termination, the CONTRACTOR will be paid for the hours of work actually completed.

In the event the successful firm materially breaches any obligation under this Agreement, the CONTRACTOR shall not be relieved of any liability to the State of Delaware for damages suffered by it by virtue of any such breach. AOA may withhold any payments to CONTRACTOR for the purpose of set off for such damages.

B. Compensation

AOA agrees to pay CONTRACTOR compensation calculated solely on the amount of audit work performed by firm's staff, based on actual hours billed and hourly rates as set forth in Appendix A herein, as well as approved out-of-pocket expenses.

CONTRACTOR agrees to bill AOA only for actual work performed and out-of-pocket expenses incurred during its performance of the engagement. CONTRACTOR must submit all invoices in writing or electronic format to AOA for approval. Invoices must include the name of the auditor who performed the work, the nature of work performed, the date(s) work performed, the number of hours worked and the corresponding hourly rate, in addition to the amounts, descriptions and dates of all out-of-pocket expenses for which reimbursement is

requested. If approved, AOA will forward the invoice to the auditee for payment or pay the invoices itself, depending on the type of audit.

C. Non-appropriation

In the event the General Assembly fails to appropriate the specific funds necessary to enter into or continue the contractual agreement, in whole or in part, the agreement shall be terminated, as to any obligation of the State of Delaware requiring the expenditure of money for which no specific appropriation is available at the end of the last fiscal year for which no appropriation is available or upon the exhaustion of funds.

D. Notice

Any notice to AOA required under this Agreement shall be in writing and sent by regular mail and registered mail to:

Attention: R. Thomas Wagner, Jr.
Auditor of Accounts
Townsend Building, Suite 1
401 Federal Street
Dover, DE 19901

E. Formal Contract and Purchase Order

The successful firm shall promptly execute an agreement incorporating the terms of this RFP within twenty days after the award of the contract. No bidder is to begin any service prior to receipt of a State of Delaware purchase order signed by two authorized representatives of the agency requesting service, properly processed through the State of Delaware Accounting Office and the (Agency). The purchase order shall serve as the authorization to proceed in accordance with the bid specifications and the special instructions, once it is received by the successful firm.

F. Indemnification

By submitting a proposal, the proposing firm agrees that in the event it is awarded a contract, it will indemnify and otherwise hold harmless the State of Delaware, its agents and employees from any and all liability, suits, actions, or claims, together with all costs, expenses for attorney's fees, arising out of the firm's, its agents and employees' performance of work or services in connection with the contract, regardless of whether such suits, actions, claims or liabilities are based

upon acts or failures to act attributable, in whole or in part, to the State of Delaware, its employees or agents.

G. Compliance

In performance of the contract the firm is required to comply with all applicable federal, state and local laws, regulations, policies, guidelines and requirements of the jurisdiction in which the Agreement is performed, as well as all applicable professional conduct rules and guidelines. The cost of permits and other relevant costs required in the performance of the contract shall be borne by the successful firm. The firm shall be properly licensed and authorized to transact business in the State of Delaware as provided in Section 2502 of Title 30 of the Delaware Code and other applicable statutes and regulations.

H. Insurance

The firm recognizes that it is operating as an independent contractor (and not an employee of the State of Delaware) and that it is liable for any and all losses, penalties, damages, expenses, attorney’s fees, judgments, and/or settlements incurred by reason of injury to or death of any and all persons, or injury to any and all property, of any nature, arising out of the contractor’s negligent performance under this contract, and particularly without limiting the foregoing, caused by, resulting from, or arising out of any act of omission on the part of the contractor in their negligent performance under this contract.

The firm must certify that it shall maintain such insurance as will protect against claims under Worker’s Compensation Act and from any other claims for damages for personal injury, including death, which may arise from operations under the Agreement. The firm is an independent contractor and is not an employee of the State of Delaware.

The firm shall, at its expense, carry insurance of minimum limits as follows:

Comprehensive General Liability.....	\$1 million per claim/ \$3 million aggregate
Professional Liability.....	\$1 million per claim/ \$3 million aggregate

The firm shall provide a certificate of insurance as proof that the firm has the required insurance.

I. Non-discrimination

In performing the services subject to this RFP, the firm agrees that it will not discriminate against any employee or applicant for employment because of race, creed, age, marital status, religion, color, sex, genetic information, national origin, or disability. The successful firm shall comply with all federal and state laws, regulations and policies pertaining to the prevention of discriminatory employment practice. Failure to perform under this provision constitutes a material breach of contract.

J. Covenant Against Contingent Fees

The successful firm warrants that no person or selling agency has been employed or retained to solicit or secure this contract upon an agreement of understanding for a commission or percentage, brokerage or contingent fee excepting bona-fide employees, bona-fide established commercial or selling agencies maintained by the bidder for the purpose of securing business. For breach or violation of this warranty, AOA shall have the right to annul the contract without liability or at its discretion to deduct from the contract cost or otherwise recover the full amount of such commission, percentage, brokerage or contingent fee.

K. Contract Documents

The RFP, the Purchase Order and the executed Agreement between AOA and the successful firm shall constitute the Contract between AOA and the firm. In the event there is any discrepancy between any of these contract documents, the following order of documents governs so that the former prevails over the latter: Agreement, Purchase Order, and RFP. No other documents shall be considered. These documents contain the entire agreement between AOA and the firm. Firm agrees to be bound by the terms of this RFP pending final execution of the Agreement by the parties.

L. Applicable Law

The laws of the State of Delaware shall apply, except where Federal law has precedence. The successful firm consents to exclusive jurisdiction in the State of Delaware and agrees that any litigation relating to this Agreement shall be filed and litigated in a court in the State of Delaware.

M. Scope of Agreement

If the scope of any provision of this Agreement is too broad in any respect whatsoever to permit enforcement to its full extent, then such provision shall be

enforced to the maximum extent permitted by law, and the parties hereto consent and agree that such scope may be judicially modified accordingly and that the whole of such provisions of the Agreement shall not thereby fail, but the scope of such provisions shall be curtailed only to the extent necessary to conform to the law.

APPENDIX A

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES
FOR THE STATE OF DELAWARE SINGLE AUDIT MANAGEMENT SERVICES

	<u>Hours</u>	<u>Standard Hourly Rates</u>	<u>Quoted Hourly Rates</u>	<u>Total</u>
Partners				
Managers				
Supervisory staff				
Staff				
Other (Specify) _____				
Sub Total				
Out-of-pocket expenses				
Meals and lodging				
Transportation				
Other (Specify) _____				
Total all-inclusive maximum cost				

Note: The rate quoted should not be presented as a general percentage of the standard hourly rate or as a gross deduction from the total all-inclusive maximum cost.

LIST OF CPA FIRM SUBCONTRACTORS AND THEIR AGENCIES/FEDERAL
PROGRAMS FISCAL YEAR 2008

- Gunnip & Co.
 - Department of Education and selected school districts
 - CFDA 84.010 Title I
 - CFDA 84.027, 84.173 Special Education Cluster
 - CFDA 84.048 Vocational Education – Basic Grants to States
 - CFDA 84.287 Twenty-First Century Community Learning Centers
 - CFDA 84.357 Reading First State Grants
 - CFDA 84.367 Improving Teacher Quality State Grants
 - Department of Transportation (DOT)
 - CFDA 20.205 Highway Planning and Construction Cluster
 - Delaware Technical & Community College (DTCC)
 - CFDA 84.042, 84.044, 84.047 TRIO Cluster
 - CFDA 84.007, 84.033, 84.063 Student Financial Assistance Cluster
- SB & Co.
 - Department of Services for Children, Youth and Their Families
 - CFDA 93.658 Foster Care – Title IV-E
 - Department of Health & Social Services (DHSS)
 - CFDA 93.558 Temporary Assistance for Needy Families
 - CFDA 93.596 Child Care Cluster
 - CFDA 93.667 Social Services Block Grant
 - CFDA 93.767 State Children’s Health Insurance Program
 - CFDA 10.551, 10.561 Food Stamp Cluster
 - CFDA 93.775, 93.777, 93.778 Medicaid Assistance Cluster
 - CFDA 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
 - CFDA 66.468 Capitalization Grants for Drinking Water State Revolving Funds
 - CFDA 93.268 Immunization Grants

- CFDA 93.283 Centers for Disease Control and Prevention Investigations and Technical Assistance
 - CFDA 93.563 Child Support Enforcement
 - CFDA 93.917 HIV Care Formula Grants
 - CFDA 93.959 Block Grants for the Prevention and Treatment of Substance Abuse
 - CFDA 93.044, 93.045, 93.053 Aging Cluster
 - CFDA 93.568 Low Income Home Energy Assistance
- Santora CPA Group
 - Department of Public Safety and Homeland Security
 - CFDA 97.004, 97.067 Homeland Security Cluster
 - CFDA Various Highway Safety Cluster
 - Department of Transportation
 - Highway Safety Cluster (CFDA numbers listed below)
 - ❑ 20.600 State and Community Highway Safety
 - ❑ 20.601 Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants
 - ❑ 20.602 Occupant Protection
 - ❑ 20.605 Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons
 - ❑ 20.609 Safety Belt Performance Grants
 - ❑ 20.612 Incentive Motorcyclist Safety Grants
 - ❑ 20.613 Child Safety and Child Booster Seat Incentive Grant

APPENDIX C

LIST OF FIRM RESPONSIBILITIES

- Update audit programs based on 2009 Compliance Supplement (2008 templates to be provided to firm by AOA). Provide 2009 workpaper sets to each CPA firm
- Program Risk Assessment based on March 31st SEFA, including:
 - Selection of Type A Major Programs
 - Selection of Type B Major Programs (selection of Type B's done with a questionnaire and historical program analysis – templates to be provided to selected firm by AOA).
 - Update to initial 3/31 risk assessment based on 6/30 SEFA
- Attendance at program entrance and exit conferences for programs, periodic status calls with AOA (frequency to be agreed upon by AOA and selected firm)
- Quality Control Review (QCR) of firm workpapers for those major programs selected for QCR (programs are selected on a rotating basis considering number of programs each firm is auditing, coverage by department, dollar value of program, if program is new, etc). QCR process is documented on standard templates to be provided by AOA (examples are included in this attachment).

Major programs on preliminary schedule for workpaper QCR for the June 30, 2009 Single Audit:

FIRM	CFDA	PROGRAM NAME
SB & Company	93.917	HIV Care Formula Grants
SB & Company	93.568	Low Income Home Energy Assistance Program
SB & Company	10.551, 10.561	Food Stamp Cluster
SB & Company	93.775, 93.777, 93.778	Medicaid Cluster
SB & Company	93.658	Foster Care – Title IV-E
Santora CPA Group	97.004, 97.067	Homeland Security Cluster
Gunnip & Company	84.007, 84.033, 84.063	Student Financial Assistance Cluster
Gunnip & Company	84.010	Title I
Gunnip & Company	84.027, 84.173	Special Education Cluster
Gunnip & Company	20.205	Highway Planning & Construction Cluster

Note: This list is preliminary and may change based on the major programs selected for the June 30, 2009 Single Audit. AOA to provide firm with updated, final list after the major programs are selected for the upcoming audit.

- Update/Prepare Summary Status of Prior Year Findings Report for June 30, 2009 (electronic copy of 2008 report to be provided to selected firm by AOA) – includes coordination of obtaining status update responses from agencies with findings, and testwork to validate the status of findings for programs not audited in the June 30, 2009 Single Audit.
- Audit the Type B Major Programs and Type A Major Programs for departments not currently under contract (see **Appendix B** for that listing) – AOA to provide workpaper template set. Sample selections and sizes will be selected by AOA in accordance with AOA's Single Audit Manual for consistency with other programs.
- Perform testwork over Statewide vendor contracts for compliance with Procurement, Suspension, and Debarment requirements.
- Perform testwork over DFMS float report (includes selection and detail testing of a sample of 40 items) and update Statewide Cash Management memo.
- Perform analytical review of April to June SEFA expenditures. (AOA to provide workpaper templates from the 2008 review)
- Obtain listing of all individually significant transactions (> 5%) for major programs (ACL extract to be provided by AOA to selected firm) and distribute to teams.
- Perform Statewide analysis of lease payments charged to federal funds in fiscal year 2009 and update memo (memo from 2008 to be provided by AOA).
- Perform Statewide analysis of after-the-award period of availability - using SAI end dates (memos from 2008 to be provided by AOA)
- Compilation and Distribution of Major Program Status Spreadsheet (approx. 2 hours a month) to firms.
- Prepare, distribute, and obtain any management representation letter updates for major programs (as needed)
- Technical/content review of draft Statewide Single Audit report

OFFICE OF AUDITOR OF ACCOUNTS
STATE OF DELAWARE SINGLE AUDIT
MAJOR PROGRAM DELIVERABLE CHECKLIST - Review Comments
JUNE 30, 2009

Major Program: _____

COMMENT	W/P REFERENCE	FIRM RESPONSE	RESOLUTION - CLEARED BY AOA